



Office of Inspector General U.S. Small Business Administration

January 2012 Update

Business Loans

Former Missouri Loan Compliance Officer Pleads Guilty

On January 5, 2012, a former vice president and loan compliance officer in Missouri pled guilty to a superseding information charging her with one count of making a false statement to the SBA and aiding and abetting. According to the superseding information, she assisted others in fraudulently securing a \$1.6 million SBA loan by providing a false affidavit to the SBA. The affidavit stated that the borrowers had never been reported as 30-days past due when, in fact, they had been past due on multiple occasions. This is a joint investigation with the Federal Bureau of Investigation (FBI).

Indictment Against Tire-Recycling Firm Owners Unsealed

On January 30, 2012, a 15-count indictment charging owners of a tire-recycling firm was unsealed. The indictment, which was originally filed on December 13, 2011, charged one owner— from North Carolina— with one count of conspiracy, eleven counts of wire fraud, one count of bank fraud, and two counts of false statements involving loan applications. The second owner, from Virginia, was charged with one count of conspiracy. The indictment alleges that the owners provided false and fictitious loan application documents, invoices, and additional supporting documents to an Ohio bank and the SBA in order to secure a \$1,715,600 SBA-guaranteed loan for their business. This is a joint investigation with the FBI.

Disaster Loans

Texas Man Pleads Guilty to Conspiracy for Invoice Scheme

On January 5, 2012, a Texas man pled guilty to conspiracy for his involvement in a fraudulent invoice scheme related to nearly \$1 million in SBA disaster loans. The subject had received a business loan to repair or replace more than 40 rental properties allegedly damaged by Hurricane Ike. The investigation revealed that he submitted fictitious receipts to the SBA totaling nearly \$680,000. This is a joint investigation with the

Department of Homeland Security Office of Inspector General (DHS OIG).

Louisiana Man Sentenced for Theft of Government Funds

On January 10, 2012, a Louisiana man was sentenced to 60 months probation, and ordered to pay a \$100 special assessment fee and \$31,800 in restitution. He had previously pled guilty to one count of theft of government funds after providing false statements to the SBA and the Department of Housing and Urban Development (HUD). The man had been approved for an SBA disaster home loan of \$141,800 for damage caused by Hurricane Katrina. The investigation disclosed that he submitted false receipts to the SBA for repairs to his home. This is a joint investigation with HUD OIG.

Louisiana Construction Company Owner Sentenced

On January 19, 2012, the owner of a Louisiana construction company was sentenced to 18 months in prison, 3 years supervised release, and ordered to pay restitution of \$126,300. The owner had previously pled guilty to one count of conspiracy to commit wire fraud. The charges involve an SBA loan of \$126,300 that another couple received in order to rebuild or repair their residence, following damage by Hurricane Ike. The borrowers gave power of attorney to the subject's wife, the owner of a financial firm, to negotiate and finalize their SBA loan. The husband's construction company was responsible for completing the repairs. The investigation revealed that the couple drained the borrowers' bank account without finishing the work on the home. A review of invoices, cancelled checks, and paid receipts submitted to the SBA in support of loan disbursements indicated that the items listed on the invoices had never been purchased and the cancelled checks were fraudulent.

Louisiana Man Sentenced for Theft of Funds Related to Hurricane Katrina

On January 26, 2012, a Louisiana man was sentenced to 6 months in a halfway house, 6 months home detention, and 2 years supervised release. In addition, he was ordered to pay nearly \$55,603 in restitution, a \$10,000

fine, and a \$100 special assessment. On October 20, 2011, the subject pled guilty to one count of theft of government funds after the investigation disclosed that he misrepresented the location of his primary residence when applying for Hurricane Katrina disaster assistance from the SBA, HUD, the Federal Emergency Management Agency (FEMA), and both Louisiana and Mississippi State Grant programs. The subject was approved for an SBA loan of \$88,800; however, only \$10,000 was disbursed. This is a joint investigation with the HUD OIG, the Department of Homeland Security OIG (DHS OIG), and the Mississippi State Grant Authority.

Former New Orleans Pastor Pleads Guilty to Mail Fraud and Theft of Government Funds

On January 26, 2012, the former pastor of a New Orleans church pled guilty to one count of mail fraud and one count of theft of government funds. The pastor applied for an SBA disaster loan on behalf of his church that sustained severe damage from Hurricane Katrina. The initial loan amount of \$500,000 was for the replacement of equipment and rebuilding of the church. The pastor later requested a loan increase due to rising construction costs in rebuilding the church. The SBA approved a \$463,900 loan increase, bringing the total loan amount to \$963,900. The investigation revealed that the pastor used the funds to purchase two luxury vehicles, two pieces of real estate, certificates of deposit, designer clothing, fine jewelry, and other items for his personal use.

Government Contracting & Business Development

Owner of Virginia Technology Firm Sentenced

On December 2, 2011, the owner of a technology firm was sentenced to two years probation, a \$20,000 fine, and a \$100 special assessment fee. In addition, the owner was ordered to cooperate with his removal from the United States and to comply with a denaturalization order. The subject had previously pled guilty to one count of procurement of citizenship or naturalization unlawfully and one count of false statements. His business, an 8(a) certified firm, has received over \$3 million in contracts set aside for 8(a) certified businesses. The investigation disclosed that he obtained falsified U.S. citizenship documents from a DHS employee and used the documents to obtain a Department of Defense (DoD) security clearance. These same documents also supported his claim of US citizenship on the firm's 8(a) application. This is a joint investigation with the DHS OIG; DHS - Immigration and Customs Enforcement; Department of State - Diplomatic Security Service, and the Department of Labor (DOL) OIG.

Former Chief Technology Officer Pleads Guilty to Conspiracy and Bribery of a Public Official

On December 19, 2011, the case against a chief technology officer was unsealed in U.S. District Court for the District of Columbia. On September 20, 2011, the subject pled guilty to an information charging him with conspiracy and bribery of a public official. The investigation revealed that the chief technology officer — and others — attempted to steer a major U.S. Army Corps of Engineers contract to their firm by paying or receiving bribes or kickbacks, fraudulently inflating orders to their firm and submitting false information to the SBA, the Government Services Administration (GSA), and other federal agencies. This is a joint investigation with the FBI, the Army Criminal Investigations Division (CID), the IRS, the Defense Criminal Investigative Service (DCIS), the DOL OIG, the GSA OIG, and the Veteran's Administration OIG.

Peggy E. Gustafson, Inspector General

If you are aware of suspected waste, fraud, or abuse in any SBA program, please report it [online](http://www.sba.gov/office-of-inspector-general/2662) at <http://www.sba.gov/office-of-inspector-general/2662>

Or call the OIG Hotline toll-free, at (800) 767-0385

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